

M E M O R A N D U M

TO: SFS Directors

FROM: Paul McElwain, Director
School & Community Nutrition

DATE: January 10, 2002

RE: Definition of nonexpendable equipment and depreciation

For a number of years we have used the following definition for nonexpendable equipment: "equipment having a useful life of more than one year and an acquisition cost of \$300 or more per unit". That definition came from FNS Instruction 796-1, Revision 2, last revised in 1978.

Effective January 1, 2002, that definition will change to: "equipment having a useful life of more than one year and having an acquisition cost of \$1,000 or more per unit". This new definition conforms to 7 CFR 3016.

Further, we have allowed you to depreciate that nonexpendable equipment having a useful life of more than one year and an acquisition cost of \$300 or more per unit and allocate that cost between breakfast and lunch.

Effective January 1, 2002, only that nonexpendable equipment having a useful life of more than one year and an acquisition cost of \$1,000 or more per unit will be subject to depreciation.

The acquisition cost of the piece of nonexpendable equipment shall be included in "Expenditures" in Section I, (14) of the D-2, but the acquisition cost shall not be included in "Other Direct Costs" in Section IV, number 4 of the D-2.

The cost of items of expendable equipment (those costing less than \$1,000) will be included both in "Expenditures" in Section I, (14) and "Other Direct Cost" in Section IV, number 4 of the D-2.

You may continue to depreciate out that equipment currently on the depreciation schedule until the depreciation period has ended. Do not add any other equipment to that schedule unless it meets the \$1,000 threshold.

The useful life of electronic equipment and vehicles will now be five (5) years (.0167) instead of four (4) years. Other equipment will continue to have a useful life of twelve (12) years.

We will be changing the D-8 to reflect the changes noted above. The revised form will be available on our website soon.

If you have questions, please contact Steve Smith at (502) 573-4390. Questions from your Finance Officers should be directed to Sydney Lawson at (502) 564-3846.